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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 005417

SIPDIS

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TAGS: [PREL](#), [ETRD](#), [EINV](#), [KU](#), [IZ](#)

SUBJECT: (C) KUWAITI INTERESTS IN IRAQ

REF: A. A) RIYADH 8176

[B. B\)](#) KUWAIT 3081

Classified By: (U) AMBASSADOR RICHARD H. JONES; REASON 1.5 (B, D)

[11.](#) (C) SUMMARY: The GOK, increasingly confident that the US is determined to eliminate Saddam Hussein's regime, is more and more willing to let its public support show, even as it maintains its formal commitment to Arab League and GCC opposition to any pre-emptive strike on Iraq. Prominent Kuwaiti merchant families see vast potential for investment and trade with a post-Saddam Iraq; given the unfavorable investment climate at home, they have a lot of liquidity to draw on. Some still have family ties to southern Iraq and have been quietly sending financial aid to their kin via Jordan. END SUMMARY.

[12.](#) (C) LETTING IT SHOW: The GOK, increasingly confident that the US is determined to eliminate Saddam Hussein's regime, is more and more willing to let its support show publicly, even as it maintains its formal commitment to Arab League and GCC opposition to any strike on Iraq. In recent weeks, the GOK openly hosted two prominent Iraqi opposition figures: first Mohammed Baqer al-Hakim, head of the Shiite Supreme Council for the Islamic Revolution in Iraq (SCIRI), then Jalal Talabani, head of the Kurdish Patriotic Union of Kurdistan (PUK). Both held meetings with senior ruling-family members including the First Deputy Prime Minister and Foreign Minister, Shaykh Sabah al-Ahmed al-Jaber al-Sabah, who is de facto ruler given the debility of the Amir and Crown Prince/Prime Minister. The GOK also announced plans to send observers to the Iraqi opposition conference in London this week. (Question for Embassy London: were GOK reps evident?) This trend was accelerated by Saddam's December 7 address to "the people in Kuwait," which sparked widespread outrage here (septel). Supposedly an apology, it was in fact filled with insults, threats and incitement to violence.

[13.](#) (C) THE VISION THING: Kuwait, following the Saudi line (ref A), will want post-Saddam Iraq to remain a unified country under Arab leadership, preferably Sunni -- although the GOK is less dogmatic on that point than the SAG. We assess that Kuwait will want to be seen as contributing substantively to the reconstruction of Iraq, if only to deflect blame for the years of suffering its neighbor has endured. The GOK already knows it will face intense pressure to forgive much of Iraq's debt, particularly the UN-endorsed compensation for Iraq's depredations during the 1990-91 occupation; it will try to avoid opening itself to charges of seeking to keep the Iraqi people down after the Baath regime is gone.

[14.](#) (C) Some Kuwaitis worry that their country's value to the US will decline precipitously after regime-change in Iraq, especially if the USG devotes a huge investment to developing a 'new Iraq' as a model for the region. This, however, does not begin to rival their desire for an end to the existential menace of Saddam -- more than anything else, the Kuwaitis want us to succeed quickly, with minimal loss of civilian lives and property. Kuwaitis are probably less worried than most Arabs about facing US-inspired pressure for democratization, given their established tradition of a rambunctious democratically-elected parliament. They also understand the point that a true democracy is built on strong institutions that protect minority rights through the rule of law.

#### TRADE AND INVESTMENT

[15.](#) (C) Conversations with Kuwaiti business leaders reveal palpable anticipation of trade and investment opportunities in a post-Saddam Iraq. Kuwaiti merchants and service-providers are well placed to export supplies and equipment to Iraq, because of Kuwait's proximity to Basra, its developed infrastructure, and the family ties that still bind some entrepreneurs to southern Iraq despite the strains brought on by the Iraqi occupation and the subsequent sanctions: some merchant families have quietly been sending financial aid to their kin in Iraq via Jordan. Some entertain hopes of successfully asserting title to family property in southern Iraq. At one time, our sources tell us, Kuwaitis owned some 38 million date-palms around Basra. They all were lost during the Iran-Iraq war but Kuwaitis know the

land could bear fruit again some day.

16. (C) Kuwaiti investors have a great deal of liquidity resulting from higher-than-budgeted oil prices, UN Compensation Commission payments, and an unfavorable investment climate at home (ref B) and depressed equity markets worldwide. An Iraq freed of the Baath regime looks attractive to them due to its wealth of natural resources (oil, water, fertile land), its educated workforce, and its familiarity based on proximity and the two countries' shared Arab and Muslim heritage. One entrepreneur envisages building a new port near the border to handle some of the anticipated trade, given the crumbling state of many existing Iraqi facilities. Another expects to make a significant fortune selling paint and milk across the border. We hear vague but credible reports of retailers stocking up on food and other consumer items, ready to supply Iraq with products it wants and needs.

17. (C) COMMENT: The Kuwaitis are depending on us to prevail against Saddam, and to protect them in the process. The more we look like winners and liberators, the more secure their own position becomes. The Kuwaitis' worst nightmare is a US climb-down that would leave Saddam in power. Next worst would be a protracted, bloody conflict that inflamed the passions of the wider Arab and Muslim worlds, even if we ultimately prevailed.

JONES